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C O N F I D E N T I A L SECTION 01 OF 04 BANGKOK 003208

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E.O. 12958: DECL: 05/13/2015

TAGS: [PGOV](#) [PREL](#) [PTER](#) [BU](#) [TH](#) [IZ](#) [BURMA](#) [ASEAN](#)

SUBJECT: MY DINNER WITH THAKSIN

Classified By: AMBASSADOR RALPH L. BOYCE. REASON: 1.4 (D)

11. (C) Summary: I had dinner on May 12 with Prime Minister Thaksin. He was in a receptive mode. On trade issues, Thaksin indicated that he was ready to push his ministers to reengage on all FTA issues and said there was "no problem" in lifting Thailand's ban on U.S. beef. He accepted constructive criticism of his previous hard-line policy in Thailand's troubled south and acknowledged the need for new approaches. Thaksin also acknowledged the damage his constructive engagement policy on Burma had done to Thailand's international image and indicated that the RTG may lower its profile on Burma and align itself more with an ASEAN consensus. The Prime Minister welcomed the news of Lockheed Martin's willingness to discuss a barter arrangement in its F-16 package. The only less than positive note was Thaksin's contention that his need to manage Thai Muslim sentiments in the south made a new Thai ground commitment to Iraq difficult. End summary.

GE INVISION ON HIS MIND

12. (C) Thaksin had invited me to dinner last week, but the eruption of the GE Invision issue had intervened in the meantime. This issue occupied much of the early part of our meal and is reported septel. The strains of dealing with the GE Invision controversy showed on Thaksin's face as he sat down. He appeared haggard and tense, but gradually relaxed as dinner progressed. Early on, we reprised some of our earlier meetings, before he was Prime Minister and I was Ambassador. I recounted a conversation that I had with him about ten years ago in which I predicted that as soon as he entered politics he would be subject to accusations that he would enrich himself through his office. Thaksin noted this and then surprisingly said that he was considering shedding his telecommunications businesses, possibly selling it in its entirety to Singapore Telecom this year.

WHERE'S THE BEEF?

13. (C) Because we were dining at Hamilton's Steak House at the Dusit Thani Hotel, I took the opportunity to raise Thailand's continuing ban on U.S. beef imports due to BSE-related fears. Thaksin claimed that he was unaware of the ban and in a humorous vein, he compared U.S. beef favorably with its Australian (too tough) and Argentinean (smells like grass) rivals. Following the banter, I asked Thaksin if I could so inform the Agriculture Minister that her boss believed that there was no necessity in continuing the ban. "No problem," Thaksin replied. (Note: I saw the Agriculture Minister the next morning on a previously scheduled courtesy call and conveyed this news. End note.)

FTA

14. (C) Using the beef issue as an example, I commented to Thaksin that major decision-making obviously centered on him. Even his most trusted ministers appeared unwilling to embark in new directions without his specific instruction. The FTA was a good example. Despite the Prime Minister's oft-stated commitment to a comprehensive FTA with the U.S., it was clear that certain of his advisors and ministers (I didn't name names) were unwilling to engage during negotiations on issues such as financial services, IPR, labor and environment. Thaksin replied that he clearly understood the need for a comprehensive agreement that included these issues, and also was aware that key aides such as Deputy Prime Minister and Finance Minister Somkid Jatusripitak were lukewarm on the issue of financial services. Thaksin added that he himself was not apprehensive over the effect of an FTA on Thailand's financial services sector. The Thai banking system needed "shaking up," Thaksin said. I welcomed his stance and urged him to give his ministers a firm kick in this direction. I noted that the Thai team that was to discuss financial services at the recent Pattaya round of FTA talks had not even shown up - this was not acceptable. I also told Thaksin that at a meeting earlier with Commerce Minister Thanong (another minister less than enthused on FTA issues) I had reiterated this point - rather than not attend, it was in Thailand's interest to go, engage and discuss.

15. (C) Thaksin agreed that the conversations must be two-way and comprehensive. There could not be an FTA unless the interests of both parties were addressed. I described to Thaksin Deputy Secretary Zoellick's success during his recent visit in discussions on FTA with a Thai parliamentary group

(septel), in which he addressed each of their concerns head on. Most parliamentarians came away with a better understanding of the issues. Both sides needed to explain clearly their FTA issues and concerns. Thaksin agreed, adding that Deputy Secretary Zoellick's suggestion that in certain areas the FTA could be phased in over a number of years had been very useful.

THE SOUTH

16. (C) I told Thaksin that if we had met about three months ago, I would have expressed grave concerns over his policies of the last year plus in the troubled Muslim majority deep southern provinces. However, with formation of the National Reconciliation Commission (NRC), headed by former Prime Minister Anand Panyarachun, and his own admissions in Parliament that it was time to look at new approaches, I sensed that he was on the right track. It was possible, I added, that Thaksin's new stance was costing the separatists their best recruiting tool - his previous hard line stance. The Prime Minister did not contest this point. I pointed out that the overwhelming majority of Muslims had no truck with violence or radical beliefs but, at the same time, were highly resentful of being lumped in with radicals - something that leaders should avoid in their statements.

17. (C) Continuing in this vein, I suggested to Thaksin that on the next occasion that he wanted Malaysia to return to Thailand an accused Thai separatist or investigate alleged separatist camps in Malaysia or Indonesia, he should call Prime Minister Badawi or President Yudhoyono privately before resorting to issuing public statements. While both Malaysia and Indonesia were quick to defend themselves against public accusations that they were harboring terrorists, they also had a deep understanding of the dangers and if approached quietly and off-line could be very helpful. Thaksin took this on board, but vented his resentment of what he considered Malaysia's unhelpfulness when Thai Muslim separatists retreated into Kelantan state. Thaksin added that he understood that Malaysia had its own problems in Kelantan, but said that Kuala Lumpur must sympathize with Thailand's situation on its porous border.

BURMA

18. (C) Thaksin recalled his conversation with Deputy Secretary Zoellick (septel) and repeated his comment at that

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time that neither constructive engagement nor sanctions had worked. What should we do? I replied by telling Thaksin that Thailand's international image was suffering from its engagement policy with the SPDC - rather than being part of the solution, Thailand was viewed by many as being part of the problem. For example, I said, last December in a radio address Thaksin had reported Than Shwe's argument that Aung San Suu Kyi's continuing imprisonment was necessary to prevent Burma's disintegration. Thaksin then went on to say that it was "reasonable" to be concerned about the country coming apart. However, reportage of his remarks described Thaksin as saying he found it reasonable to keep Aung San Suu Kyi locked up. Thaksin gave an exasperated sigh, referred to his often tense relations with both international and domestic media, but took the point that Thailand must be wary of its image on Burma.

SURPRISING COMMENT ON REGIME CHANGE

19. (C) I noted to Thaksin that a number of ASEAN nations were beginning to view Burma as a serious impediment to the organization, particularly its upcoming chairmanship. Rather than issue unilateral statements regarding (and seemingly supporting) Burma, Thailand would be better served by letting ASEAN take the lead and become part of a consensus. Burma had shown indications that it might skip its turn at the ASEAN chair. Thailand should back away and let ASEAN's will prevail, I emphasized. In response, Thaksin said that Rangoon's relinquishing of the chair would be "not enough." Thaksin added that this would only indicate that the regime was so unwilling to loosen its grip on power that it would sacrifice the prestige of holding ASEAN's chair. Then, surprisingly, he said that the only solution was "regime change" in Rangoon. The generals were "impenetrable," Thaksin complained. They were suspicious of the outside and suspicious of each other. Their only concern was their own protection and they feared that any opening to the NLD would lead ultimately to their destruction.

10. (C) I replied by saying that in future meetings with the SPDC leaders Thaksin might remind them that Aung San Suu Kyi had stated that she was not interested in retribution, only in the building of a democratic future in Burma. Turning to the recent bombings in Rangoon, Thaksin said that he agreed with theories that Khin Nyunt supporters were likely responsible and suggested that these incidents could signal the beginning of the unraveling of the SPDC. He noted that Burmese Prime Minister Soe Win had abruptly canceled a

recently scheduled visit to Thailand - probably, Thaksin speculated, from fear of being out of the country at a sensitive time.

CHANGE OF POLICY ON THE BORDER?

11. (C) Thaksin said that if Soe Win had come, he would have expressed to his Burmese counterpart his increasing irritation with the situation on Thailand's border with Burma. Rangoon's use of the Wa to attack Shan formations had pushed some Shan across the border into Thailand - as much as two kilometers in places. Thaksin said that Thailand was currently allowing the fleeing Shan to cross the border. He added that he was considering turning the tables and using the Shan to deploy against the Wa in Burma. He asked for my views. I pointed out that four years ago Thaksin had reversed a very similar strategy that had been implemented by his predecessor, Chuan Leekpai. I added that it was his right, of course, to return to the previous policy and if he did so it would send a strong message to the SPDC.

IRAQ

12. (C) We turned the discussion to Iraq. In earlier meetings with Admiral Fallon and Deputy Secretary Zoellick, Thaksin had said that he would consider some "humanitarian" presence in Iraq. At this private dinner, Thaksin seemed extremely sensitive to the issue, particularly the symbolism that a Thai presence in Iraq would have in the south. Thaksin stressed that as an ally Thailand supported the U.S. on Iraq, but asked us to be sensitive to his own efforts to manage the situation in Thailand's south. I responded that we were sensitive to his situation but had to emphasize that to be an active member of the coalition, presence on the ground was the proof. We left it at that.

ADVOCACY

13. (C) On the pending combat aircraft purchase in Thailand, I noted that Thaksin's current account concerns had led him to decide not to go with either counter trade or offset arrangements, but to seek a strict barter agreement. I told him that earlier that day I had met Commerce Minister Thanong and informed him that Lockheed Martin was ready to discuss with his Ministry a 100 percent barter arrangement for the purchase of the F-16, but added that Commerce was apparently still under the impression that the Prime Minister's previous stipulation that only Gripen and Sukhoi could bid still applied. Thaksin welcomed the news of Lockheed Martin's readiness to discuss a barter arrangement and added that the Thai Air Force would be "very happy."

14. (C) I also raised the issue of General Electric's bid (together with Pratt and Whitney in the Engine Alliance) to provide engines for Royal Thai Airlines Airbuses. Thaksin laughed and said that we should first get the GE Invision issue resolved - otherwise he would have to go with Rolls Royce.

SURIKIART CANDIDACY

15. (C) I asked the Prime Minister about Deputy Prime Minister and former Foreign Minister Surikiart's bid to be the next UN Secretary General. Thaksin replied that if it was Asia's turn to take over, then Surikiart had a good chance of succeeding Kofi Annan. I asked what effect Sri Lanka's interest in its own candidate, Jayantha Dhanapala, would have on the race. Where was China going with its support? Thaksin replied that even if Sri Lanka were serious, Thailand had more support among Asian countries. I decided to leave the question of Dr. Surikiart's quest at that.

THAI POLITICS

16. (C) Turning to Thaksin's overwhelming electoral victory last February, I told Thaksin that I had followed Thai politics for close to two decades and, in my view, he had clearly revolutionized the Thai political landscape. I asked him what he intended to do with his massive mandate. Thaksin said that he expected his second term would be easier, though he agreed with my assertion that running a faction-loaded 377 seat party was no easier than running a five party coalition. At one point in the dinner Thaksin asked if I could imagine a worse beginning to a political year, ticking off the tsunami, high world oil prices, continuing avian flu concerns

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and the drought in Thailand. His most difficult political task now, Thaksin said, was satisfying the "professional politicians" in the factions. They expected influential ministerial and administrative positions, but were incapable of being effective in these jobs. He had tried to appoint them to less significant slots to try to minimize their potential to damage. Thaksin said that he expected to run for a third term to ensure that the next generation of party

leaders would be sufficiently groomed before he finally retired.

SLIGHTS THE OPPOSITION

117. (C) Thaksin did not have much good to say about his current opposition counterpart, Democrat Party (DP) leader Abhisit Vejjajiva. Thaksin described the younger politician as too "cool" a personality for Thai politics. Without a hint of irony Thaksin said that Abhisit's arrogance would get him in trouble as would his lack of respect towards elder politicians. Noting that the DP had reverted to essentially being a regional party based in the south, I recalled a trip to their stronghold in the mid-nineties in which it had appeared that the party seemed clapped-out ideologically, bound in tradition, happy to be a local power and unwilling to address the increasingly complex issues facing Thailand. They seemed to be undergoing a similar cycle now. Thaksin agreed, and noted that when former Prime Minister and Chart Pattana (CP) Party leader Chatichai Choonhaven was on his deathbed, Thaksin had been approached to take over as head of the CP. Thaksin said that he made the better decision to form the Thai Rak Thai Party rather than take over an old-line, later discredited party. (Note: CP has now become part of the Thai Rak Thai. End note)

COMMENT

118. (C) This dinner was an opportunity to cover a wide range of issues with Thaksin in a relatively direct and open setting. Thaksin was in general very forthcoming and his comments on his political problems and the possible sale of his telecommunications companies were surprising and refreshingly candid. Overall, the outcome of dinner with Thaksin looks encouraging. Thaksin took on board our constructive criticisms over his Burma policy and his earlier stance towards Thailand's southern problems. He appears ready to reenergize Thai engagement on FTA. He also appears ready to open the combat aircraft competition to Lockheed Martin and to lift restrictions on U.S. beef imports. The Prime Minister was in an acceptance mode and looks ready to move in the right direction on a number of our issues. End comment.

BOYCE